



Vision and Mission

Raiffeisen International Bank-Holding AG (Raiffeisen International) is the holding company for Raiffeisen Group most important subsidiaries in Central and Eastern Europe (CEE) including Raiffeisen-bank Austria, ZAO.

Raiffeisen International is a fully consolidated subsidiary of Raiffeisen Zentralbank Österreich AG (RZB) and a member of the RZB Group, minority interest is held by International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).

Vision

Raiffeisen International Group is the leading banking group in Central & Eastern Europe.

Mission

We seek long-term customer relationships.

We provide a full range of highest quality financial services in Central & Eastern Europe.

As a member of the RZB Group we co-operate closely with Raiffeisen Zentralbank and the other members of the Austrian Raiffeisen Banking Group.

We achieve sustainable and above-average return on equity.

We empower our employees to be entrepreneurial and to show initiative and we foster their development.



Human Resources Policies

In 2004 Raiffeisenbank continued its successful development in Russia. During the year, the number of the Bank's employees grew by 73%, from 593 to 1 027. As at the year end, the Bank had 11 branches in Moscow (five were opened in 2004) offering a full range of banking services, 2 cash and 3 exchange offices, the branch in Saint Petersburg.

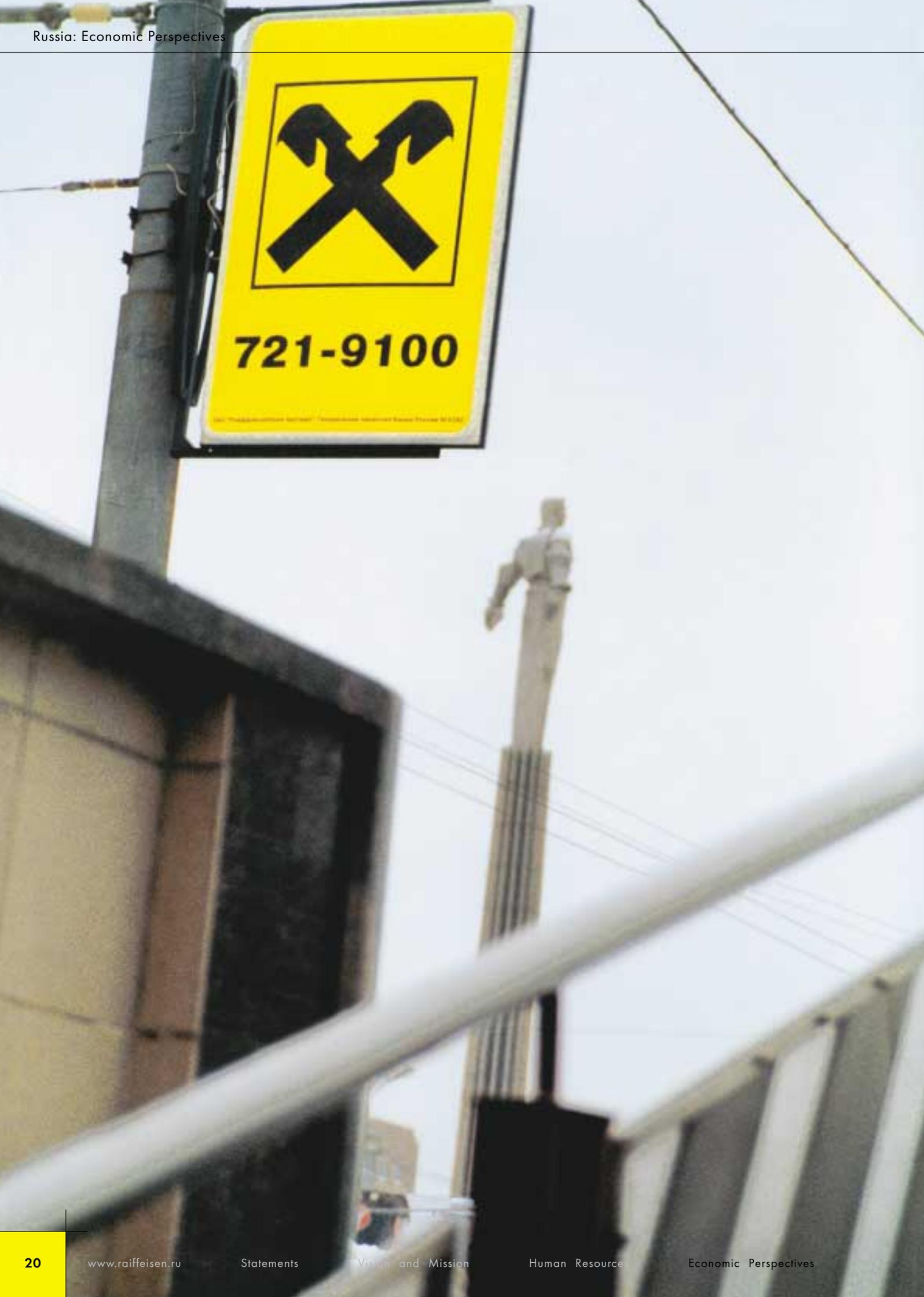
To implement these ambitious tasks, Raiffeisenbank's human resources function focuses on structured recruitment policies. The Bank's human resources function performs the complex task of searching for candidates with different professional qualifications both in Moscow and the regions. The Bank primarily used direct search mechanisms (79% of new employees in 2004 were sourced in this manner), and also engaged recruitment agencies.

To create a staff reserve, in 2004 Raiffeisenbank developed a student intern programme. During the year, 8 of the 41 intern programme participants were employed as permanent staff, and 26 continued as interns.

As one of the Raiffeisenbank's strategic goals is to create a highly professional team, the human resources function, apart from efficient selection of staff, sees its task as creating favourable conditions for staff development. This is the primary goal of the Bank in the area of training. In 2004 the Bank developed and implemented internal corporate training programmes enhancing knowledge acquisition and transfer of corporate standards within Raiffeisen Group in general. This includes an induction course for new employees, a modular training programme for staff in retail banking services and a professional training programme for regional staff.

Raiffeisenbank's staff policy stimulates personal professional development through various training events and also through secondments within the Bank. For example, in 2004 approximately 14% of the Bank's employees participated in a secondment programme.

Summarising the annual results, we may state with certainty that the Bank's approach in human resources area was successful and, to a great extent, facilitated the implementation of the Bank's strategic goals for the year.



Russia: Economic Perspectives

Despite a slowdown in growth comparing to the previous year, the Russian economy continues to boom on soaring commodity prices and strong domestic demand. GDP growth surpassed the 7% year-on-year mark in 2004, while industrial production was over 6% up year-on-year. Importantly, investment-related industry – machinery – led the pack (about 11% year-on-year), while capital investment was above 10% up year-on-year (source: Rosstat). Russia's external and fiscal accounts are among the strongest in the world, while the upturn of the capital flight on the back of the "YUKOS case" endgame should be transitory. The Bank of Russia's FX reserves reached an all-time high of more than USD 120 billion in 2004, having surpassed the amount of sovereign debt (source: Rosstat). This has been recognized by international rating agencies: Russian sovereign debt has full investment grade rating since the upgrade to BBB– by Standard & Poor's in January 2005. Moody's raised the outlook of Russia's sovereign rating (at Baa3 currently) to "Positive" in October 2004, which suggests further upgrades in the medium term.

Fiscal policy remains prudent: boosted by record commodity prices, the Russian federal budget surplus exceeded impressive 4% of GDP, while the Stabilization Fund surpassed RUR 500 bln landmark by a wide margin; the tax burden shifted to the oil sector to stimulate development of other industries (source: Rosstat). Looking forward, fiscal policy is most likely to remain relatively tight despite recent tax cuts (VAT, Unified Social Tax). In particular, tax cuts often come hand in hand with better tax discipline, raising effective tax rates.

The Russian Central Bank seems ready to deal with most monetary threats. Although the rouble-dollar exchange rate remains its most faithful policy instrument, the Bank constantly looks to develop ever more sophisticated tools, its latest project being a placement of own bonds, aimed at neater regulation of money supply. The current year envisages an inflation ceiling of 8.5% (compared to actual 11.7% in 2004, source: Rosstat), which looks very tough. As its primary medium term goal, the Central Bank has committed to control inflation ahead of real rouble appreciation. At the same time, the Bank is seen so far as having successfully maneuvered away from overly excessive rouble appreciation and hence "Dutch disease".

The President of the Russian Federation recently addressed the issue of policy implementation by changing electoral legislation, in particular implying presidential control over elections of regional governors. Though controversial from a political point of view, economically the move should help cap regional corruption and ensure more consistent and coordinated action by the executive, which should be beneficial for economic growth in the medium term.

Graph 1. GDP dynamics

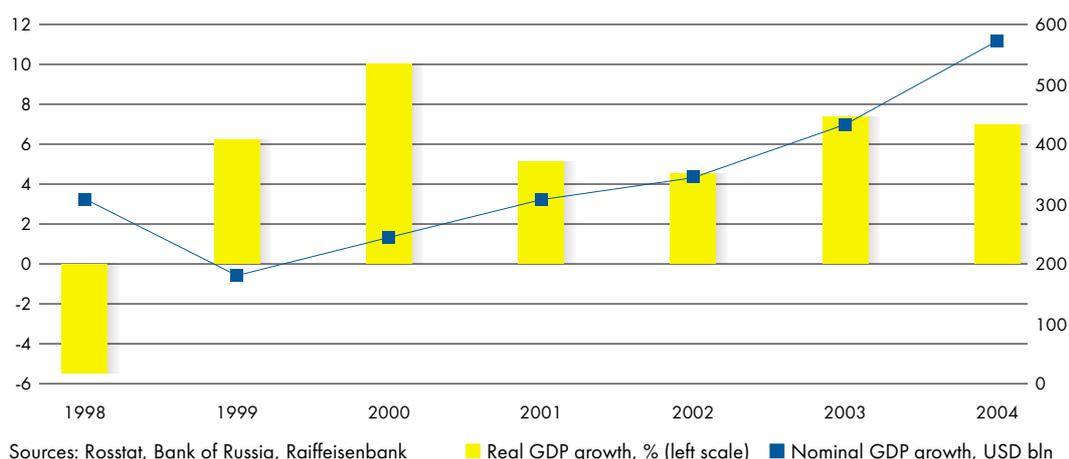


Table 1. Main economic indicators

Indicator	1997	1998	1999	2000	2001	2002	2003	2004	2005 projected	2006 projected
GDP annual growth, %	1.4	-5.3	6.4	10.0	5.1	4.7	7.3	7.1	5.5	5.0
GDP, USD billion	475.1	272.0	195.9	259.7	306.6	345.6	432.9	574.6	696.8	773.2
Annual production growth, %	2.0	-5.2	11.0	11.9	4.9	3.7	7.0	6.1	6.5	5.5
Annual increase in fixed capital investments, %	-5.0	-12.0	5.3	17.4	10.0	2.8	12.5	10.0	10.0	8.0
Annual consumer price inflation, %	11.0	84.4	36.5	20.2	18.6	15.1	12.0	11.7	11.0	9.5
Annual producer price inflation, %	7.4	23.0	67.0	31.6	10.7	17.1	13.1	28.3	15.0	12.0
URALS oil price, year average, USD for 1 barrel	18.3	11.0	17.2	26.6	22.9	23.7	27.0	35.0	30.0	28.0
Oil export, USD billion	14.8	10.3	14.2	25.3	25.0	29.1	39.7	58.9	53.1	51.1
Export goods, USD billion	86.9	74.4	75.6	105.0	101.9	107.3	135.9	182.0	168.7	159.6
Export goods, % of GDP	18.3	27.4	38.6	40.4	33.2	31.1	31.4	31.7	24.2	20.6
Export growth for year, %	-1.7	-14.3	1.5	39.0	-3.0	5.3	26.7	33.9	-4.5	-5.4
Import goods, USD billion	72.0	58.0	39.5	44.9	53.8	61.0	76.1	94.8	102.9	108.0
Import growth for year, %	7.1	-19.4	-31.9	13.5	19.8	13.4	24.8	24.6	10.0	5.0
Trade balance, USD billion	14.9	16.4	36.0	60.2	48.1	46.3	59.9	87.2	65.8	51.6
Current transactions account, USD billion	-0.1	0.2	24.6	46.8	33.9	29.1	35.4	58.2	33.4	20.2
Current transactions account, % of GDP	0.0	0.0	12.6	18.0	11.1	8.4	8.2	10.1	4.8	2.6
Gold and foreign exchange reserves, USD billion	17.8	12.2	12.5	28.0	36.6	47.8	76.9	118.7	141.8	155.2
RR/USD exchange rate as at year end	6.0	21.2	27.0	28.2	30.1	31.8	29.3	27.7	28.0	30.0
RR/USD exchange rate year average	5.8	9.8	24.7	28.1	29.2	31.4	30.6	28.8	27.8	29.0
Federal Budget Revenues, % of GDP	11.3	10.1	13.4	15.8	17.7	20.1	19.3	20.7	17.5	17.0
Federal Budget Spending, % of GDP	18.0	15.1	14.6	13.4	15.3	18.7	17.7	16.5	16.5	16.0
Federal Budget surplus (+)/deficit (-), % of GDP	-6.7	-5.0	-1.2	2.4	2.4	1.4	1.6	4.2	2.0	1.0
Primary Federal Budget surplus(+)/deficit, % of GDP	-2.4	-1.0	2.4	4.8	5.0	3.4	3.3	5.4	3.1	2.8

Source: Rosstat

